

Message Text

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73

ACTION EB-07

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01 USIA-15 L-02

NSC-05 SS-15 STR-04 CEA-01 TAR-01 /098 W

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R 230630Z DEC 74

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 0217

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY SUVA

AMEMBASSY WELLINGTON

UNCLAS PORT MORESBY 0454 SECTION ONE OF TWO

PASS COMMERCE AND OPIC

E.O. 11652: N/A

TAGS: EINV, PP

SUBJECT: GPNG INVESTMENT GUIDELINES AND INVESTOR GUARANTEES
ANNOUNCED

REF: (A) PORT MORESBY 0440 (B) PORT MORESBY 0453

1. SUMMARY: CHIEF MINISTER MICHAEL SOMARE ANNOUNCED HIS GOVERNMENT'S INVESTMENT GUIDELINES AND INVESTOR GUARANTEES TO THE HOUSE OF ASSEMBLY NOVEMBER 27, 1974. THE GUIDELINES ARE DESIGNED TO REPLACE THE INVESTMENT CODE WHICH THE CONSTITUTIONAL PLANNING COMMITTEE SOUGHT TO MAKE A PART OF THE CONSTITUTION. WHILE THE GUIDELINES ARE ESSENTIALLY A FURTHER ELABORATION OF THE GOVERNMENT'S EIGHT POINT DEVELOPMENT PLAN, THE INVESTMENT GUARANTEES ARE MEANT TO DELINEATE THE RIGHTS OF INVESTORS AND ALLAY FEARS GROWING IN SOME BUSINESS CIRCLES THAT INDEPENDENCE WILL BRING WITH IT A RADICAL CHANGE IN ATTITUDE REGARDING FOREIGN INVESTMENT.

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END SUMMARY.

2. IN ANNOUNCING THE NEW INVESTMENT GUIDELINES, THE CHIEF MINISTER EXPLAINED THAT IN FORMULATING THEM THE GOVERNMENT GAVE MAJOR CONSIDERATION TO THESE FACTS:

1) IT IS NECESSARY TO ATTRACT PRIVATE FOREIGN INVESTMENT TO PNG TO ACHIEVE THE AIMS OF THE GOVERNMENT AND BRING ABOUT INCREASES IN REAL INCOME AND EMPLOYMENT FOR PAPUA NEW GUINEANS, 2) SUCH INVESTMENT IS WELCOME INsofar AS IT HELPS MEET THE NEEDS OF PAPUA NEW GUINEANS, AND 3) TO ATTRACT AND RETAIN THAT INVESTMENT WHICH WILL CONTRIBUTE TO THE GOVERNMENT'S AIMS IT IS NECESSARY TO SET QTE CONDITIONS WHICH MUST BE ADHERED TO BY INVESTORS AND ALSO GIVE A QTE FAIR DEAL UNQTE TO THE INVESTOR IN HIS DEALINGS WITH PNG. UNQTE.

3. BOTH THE GUIDELINES AND GUARANTEES AS INTRODUCED BY MR. SOMARE AND APPROVED BY THE HOUSE OF ASSEMBLY WERE INCLUDED IN THE OMNIBUS BILL ESTABLISHING THE NATIONAL INVESTMENT AND DEVELOPMENT AUTHORITY. (SEE REFTEL A AND B).

4. THE INVESTMENT GUIDELINES COVER THE FOLLOWING AREAS:
A. EMPHASIS AND ENCOURAGEMENT OF SMALL-SCALE BUSINESS. INVESTMENT PROPOSALS SHOULD ENSURE THE MAXIMUM USE OF EXISTING BUSINESSES OWNED AND CONTROLLED BY PAPUA NEW GUINEANS AND ENCOURAGE THE CREATION OF NEW ONES.

B. EQUITY PARTICIPATION. THE GOVERNMENT RESERVES THE RIGHT TO ACQUIRE EQUITY IN ANY NEW VENTURE WHERE IT CONSIDERS SUCH ACTION IS NECESSARY TO ACHIEVE ITS STATED AIMS.

C. LOCALISATION. IT IS THE GOVERNMENT'S AIM TO ENSURE THAT NO EXPATRIATE OCCUPIES A POSITION FOR WHICH A SUITABLY QUALIFIED PAPUA NEW GUINEAN IS AVAILABLE AND THAT, WHERE NO PAPUA NEW GUINEANS IS AVAILABLE, SUITABLE TRAINING IS UNDERTAKEN WITH A VIEW TO FILLING SUCH A POSITION WITH A PAPUA NEW GUINEAN WITHIN A REASONABLE TIME.

D. EMPLOYMENT CREATION. THE GOVERNMENT EXPECTS INVESTMENT TO MAKE MAXIMUM USE OF PAPUA NEW GUINEA LABOR AND TO HELP UNCLASSIFIED

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INCREASE THE SKILLS OF THE LOCAL WORK FORCE, AND THE INCREASED EMPLOYMENT OF WOMEN.

E. DECENTRALISATION. THE GOVERNMENT WILL ENCOURAGE INVESTMENT IN RURAL AND LESSER-DEVELOPED AREAS PREVIOUSLY EXCLUDED FROM THE BENEFITS OF INVESTMENT.

F. USE OF RAW MATERIALS AND FURTHER PROCESSING. THE

GOVERNMENT WELCOMES AND ENCOURAGES THE MAXIMUM POSSIBLE
PROCESSING OF TRADITIONAL EXPORTS AND USE OF LOCAL RAW
MATERIALS IN MANUFACTURING ACTIVITY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, POLICIES, INVESTMENTS, INVESTMENT GUARANTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PORTM00454
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740373-0554
From: PORT MORESBY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741215/aaaaambt.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 74 PORT MORESBY 0440, 74 PORT MORESBY 0453
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 02 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 OCT 2002 by ReddocGW>; APPROVED <02 JAN 2003 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GPNG INVESTMENT GUIDELINES AND INVESTOR GUARANTEES ANNOUNCED
TAGS: EINV, PP, NIDA, (SOMARE, MICHAEL)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005